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FM AMCONSUL JERUSALEM

TO RUEHC/SECSTATE WASHDC IMMEDIATE 5304
INFO RUEHXK/ARAB ISRAELI COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY
RUEKJCS/JCS WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 JERUSALEM 001117

SENSITIVE
SIPDIS

NEA FOR FRONT OFFICE AND NEA/IPA; NSC FOR SHAPIRO/KUMAR;
TREASURY FOR AHERN; DEPT PLEASE PASS TO USAID FOR ANE/MEA:
MCLOUD/BORODIN; JOINT STAFF FOR LTGEN SELVA

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [BEXP](#) [EAGR](#) [PREL](#) [KWBG](#) [IS](#)
SUBJECT: GOI MOVES TO BLOCK PALESTINIAN MEAT AND DAIRY
PRODUCTS FROM EAST JERUSALEM

¶1. (SBU) Summary: Palestinian meat and dairy companies in the West Bank have received notification from the Israeli Ministry of Health that they will no longer be permitted to "export" their products to East Jerusalem as of August 15. Palestinian Authority officials and private businessmen stressed the economic importance of the East Jerusalem market, and characterized the move as "a politically motivated effort." PA officials said that the PA will respond with "reciprocal" measures on Israeli products entering the West Bank. End summary.

Cut-Off Discussed and Averted for Several Months

¶2. (SBU) ConGen sources said that wrangling over the threatened cut-off of West Bank meat and dairy sales to East Jerusalem began several months ago. The Israeli Civil Administration (CA) notified Palestinian dairy and meat suppliers in March that, as of April 1, 2009, their permits to sell to East Jerusalem would be rescinded. According to Palestinian business contacts, talks between Palestinian Food Industries Association (PFIA) representatives and the CA in April and May 2009 resulted in extension of the deadline until August 15, 2009. In a follow-on letter dated May 21, the Israeli Ministry of Health, citing Israel's Animal Disease Ordinance of 1985, notified West Bank meat and dairy companies that products of animal origin from the Palestinian Territories will not be permitted to enter Israel, and past permits will be invalidated. The implementation date is not stated, but the letter set a July 1 deadline for companies to respond in writing. (Note: Post has obtained copies of the May 14 and 20 letters. End note.)

PA Threatens "Reciprocal" Response

¶3. (SBU) Minister of National Economy Bassim Khoury told Econoff that he held an emergency meeting on June 20 with Minister of Agriculture Ismael Edeiq, Minister of Health Fathi Abu Moghli, and businessman Mazen Sinokrot to discuss the PA reaction. He said he planned to contact the relevant GOI ministries directly to explore what steps the companies could take to maintain their connection to the East Jerusalem market. If talks fail, Khoury said, the PA will impose "reciprocal" restrictions on Israeli meat and dairy products sold in the West Bank, to be enforced through the Palestinian customs police and at the point of sale.

¶4. (SBU) PA Ministry of National Economy Advisor Saad Al-Khatib told Econoff on June 26 that the GOI's move is a

"politically motivated effort to assert Israeli economic dominion over East Jerusalem." Bader Rock of the PA's Negotiation Support Unit (NSU) said the cut-off a "clear violation of the Paris Protocol," of Article VII in particular. Rock told Econoff on June 30 that the PA requested a meeting of the Agriculture Committee (a sub-committee of the Joint Economic Committee) on June 28. If the PA does not receive a positive response, he said, they will elevate this issue as a dispute to the JEC.

¶ 15. (SBU) NSU contacts said that it does not appear there are new standards that Palestinian food exporters need to meet or new permits to obtain; rather, this decision is a categorical refusal of the entry of such products. Rock said that the decision appears to be based upon a new reading of the GOI's Animal Disease Ordinance of 1985, which treats the entry of animal products from the Palestinian Territory into East Jerusalem and Israel as "importation." Rock said that, since the Palestinian Territories are not on the Israeli list of "foreign countries," according to the Animal Diseases Regulations of 1974, companies in the Palestinian Territories cannot apply for an import permit -- and therefore cannot receive permission to export into East Jerusalem or Israel.

Palestinian Businesses Rely on East Jerusalem Market

¶ 16. (SBU) Mashour Al Juneidi, CEO of Hebron's al-Juneidi Dairy (the West Bank's largest), told Econoff on June 29 that his dairy has had GOI licenses to sell in East Jerusalem since 1995. He said that he wants to resolve this problem,

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but "we just don't know what they need, or what they are asking for." Al Juneidi said he fears that the dairy will soon lose the 12 percent of its revenues that it derives from sales to East Jerusalem. Contacts in PFIA said that sales to East Jerusalem account for as much as 20 percent of Palestinian companies' dairy and meat sales, and added that the new measure would deal a particularly harsh blow to meat companies that have already lost the Gaza market, formerly about 35 percent of sales, to the GOI blockade.

WALLES